

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                            |  |                  |
|--|----------------------------|--|------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other |                            | Local Unit Name<br>VILLAGE OF ESTRAL BEACH       | County<br>MONROE |
| Fiscal Year End<br>6-30-2006   | Opinion Date<br>11-18-2006 | Date Audit Report Submitted to State<br>12-22-06 |                  |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                       |  |                              |
|--|---------------------------------------|--|------------------------------|
| <b>We have enclosed the following:</b>   | Enclosed                              | Not Required (enter a brief justification) |                              |
| Financial Statements   | <input checked="" type="checkbox"/>   |  |                              |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/>   |  |                              |
| Other (Describe)   | <input type="checkbox"/>              |  |                              |
| Certified Public Accountant (Firm Name)<br>COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS                                |                                       | Telephone Number<br>734-241-7200           |                              |
| Street Address<br>1 SOUTH MONROE STREET  |                                       | City<br>MONROE                             | State<br>MI                  |
|  |                                       | Zip<br>48161                               |                              |
| Authorizing CPA Signature<br> | Printed Name<br>PETER H. CARLTON, CPA |  | License Number<br>1101009575 |

**VILLAGE OF ESTRAL BEACH**  
Monroe County, Michigan

**ANNUAL FINANCIAL REPORT**

June 30, 2006

# VILLAGE OF ESTRAL BEACH

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## Independent Auditor's Report

President and Village Council  
Village of Estral Beach  
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Estral Beach, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 28 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council  
Village of Estral Beach

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Estral Beach, Monroe County, Michigan's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Codey Hehl Wohlgauth & Carlton*

November 18, 2006

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis Year Ended June 30, 2006*

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This section of the Village of Estral Beach's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Projects Funds.

The Governmental Accounting Standards Council (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Estral Beach financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's individual funds - the General Fund, the Major Street Fund, the Local Street Fund, the 1952 Dike Fund, and the Fire Millage Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds*  
*(Required Supplemental Information)*

*Other Supplemental Information*

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2006*

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#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 10-11), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, and recreation. Property taxes, state grants, and licenses and permits finance most of these activities.

#### **Fund Financial Statements**

The Village's Fund Financial Statements (pages 12-18) provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

**Governmental funds** - All of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

**Fiduciary funds** - An Agency Fund is used to account for assets held by the Village as an agent for the collection and disbursement of property taxes.

## VILLAGE OF ESTRAL BEACH

### Management's Discussion and Analysis Year Ended June 30, 2006

#### Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2006 and 2005:

**Table 1:**

#### Comparative Statement of Net Assets

|   | Governmental Activities |                  |
|---|-------------------------|------------------|
|   | 2006                    | 2005             |
| Current and other assets                        | \$ 416,114              | \$359,531        |
| Capital assets                                  | <u>206,597</u>          | <u>231,296</u>   |
| <b>Total Assets</b>                             | 622,711                 | 590,827          |
|   |                         |                  |
| Current and other liabilities                   | 6,951                   | 4,133            |
| Long-term liabilities                           | <u>7,837</u>            | <u>13,772</u>    |
| <b>Total Liabilities</b>                        | <u>14,788</u>           | <u>17,905</u>    |
| Net Assets:                                     |                         |                  |
| Invested in capital assets, net of related debt | 198,760                 | 217,524          |
| Restricted for:                                 |                         |                  |
| Public access                                   | 4,152                   | 869              |
| Streets and highways                            | 326,692                 | 288,079          |
| Flood control                                   | 26,391                  | 23,868           |
| Fire protection                                 | 25,197                  | 17,282           |
| Unrestricted                                    | <u>26,731</u>           | <u>25,300</u>    |
| <b>Total Net Assets</b>                         | <u>\$607,923</u>        | <u>\$572,922</u> |

As depicted in Table 1, the Village's net assets were \$607,923 at June 30, 2006. Of this amount, a positive \$26,731 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.



## VILLAGE OF ESTRAL BEACH

### Management's Discussion and Analysis Year Ended June 30, 2006

#### Government-Wide Financial Analysis – Concluded

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2006 and 2005:

**Table 2:**

#### Comparative Changes in Net Assets

|   | Governmental Activities |                  |
|---|-------------------------|------------------|
|   | 2006                    | 2005             |
| <b>Revenues</b>                           |                         |                  |
| Program revenues:                         |                         |                  |
| Charges for services                      | \$ 7,388                | \$ 2,511         |
| State and local grants                    | <u>83,342</u>           | <u>85,849</u>    |
|   | 90,730                  | 88,360           |
| General revenues:                         |                         |                  |
| Property taxes                            | 111,409                 | 103,130          |
| State grants                              | 42,546                  | 38,054           |
| Other general revenues and transfers, net | <u>12,816</u>           | <u>10,997</u>    |
|   | <u>166,771</u>          | <u>152,181</u>   |
| Total Revenues                            | 257,501                 | 240,541          |
| <b>Functions/Program Expenses</b>         |                         |                  |
| Legislative                               | 754                     | 1,262            |
| General government                        | 31,607                  | 30,023           |
| Public safety                             | 82,526                  | 42,372           |
| Public works                              | 73,960                  | 76,894           |
| Culture and recreation                    | 62                      | 100              |
| Other                                     | <u>33,591</u>           | <u>33,724</u>    |
| Total Expenses                            | <u>222,500</u>          | <u>184,375</u>   |
| <b>Increase (Decrease) in Net Assets</b>  | <u>\$ 35,001</u>        | <u>\$ 56,166</u> |

As indicated in Table 2, the cost of *all governmental* activities this year was \$222,500. Of this amount, \$90,730 was subsidized with revenue generated from charges for services, rentals and grants with the remaining costs financed with general revenues.

The Village experienced an increase in net assets of \$35,001. Key reasons for this increase are the lack of spending in the street funds. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net assets appears on page 14.

# VILLAGE OF ESTRAL BEACH

## Management's Discussion and Analysis Year Ended June 30, 2006

### Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Estral Beach is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$409,163, which is an increase of \$53,765 from last year. The changes by funds are as follows:

|  | <u>General<br/>Fund</u> | <u>Major<br/>Street<br/>Fund</u> | <u>Local<br/>Street<br/>Fund</u> | <u>1952<br/>Dike<br/>Fund</u> | <u>Fire<br/>Millage<br/>Fund</u> | <u>Total</u>     |
|--|-------------------------|----------------------------------|----------------------------------|-------------------------------|----------------------------------|------------------|
| <b>Fund balances -<br/>Beginning of year</b> | \$ 26,169               | \$192,614                        | \$ 95,465                        | \$23,868                      | \$ 17,282                        | \$355,398        |
| Increase (decrease)                          | <u>4,714</u>            | <u>22,934</u>                    | <u>15,679</u>                    | <u>2,523</u>                  | <u>7,915</u>                     | <u>53,765</u>    |
| <b>Fund balances -<br/>End of year</b>       | <u>\$30,883</u>         | <u>\$215,548</u>                 | <u>\$111,144</u>                 | <u>\$26,391</u>               | <u>\$25,197</u>                  | <u>\$409,163</u> |

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

|                      | <u>June 30, 2006</u> | <u>June 30, 2005</u> | <u>Percent<br/>Change</u> |
|----------------------|----------------------|----------------------|---------------------------|
| <b>Revenues</b>      |                      |                      |                           |
| Property taxes       | \$ 87,288            | \$ 80,072            | 9.1 %                     |
| Licenses and permits | 5,857                | 1,046                | 460.0 %                   |
| State grants         | 42,546               | 38,054               | 11.8 %                    |
| Local grants         | 32,600               | 31,628               | 3.1 %                     |
| Charges for services | 180                  | 1,465                | (87.8)%                   |
| Interest             | 912                  | 527                  | 73.1 %                    |
| Other                | <u>7,825</u>         | <u>8,015</u>         | (2.4)%                    |
|                      | <u>\$177,208</u>     | <u>\$160,807</u>     | 10.2 %                    |

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis Year Ended June 30, 2006*

#### **Fund Financial Analysis – Concluded**

|                         | <u>June 30, 2006</u> | <u>June 30, 2005</u> | <u>Percent<br/>Change</u> |
|-------------------------|----------------------|----------------------|---------------------------|
| <b>Expenditures</b>     |                      |                      |                           |
| Legislative             | \$ 754               | \$ 1,262             | (40.3)%                   |
| General government      | 31,578               | 29,994               | 5.3 %                     |
| Public safety           | 51,056               | 43,611               | 17.1 %                    |
| Public works            | 51,453               | 61,624               | (16.5)%                   |
| Culture and recreation  | 62                   | 100                  | (38.0)%                   |
| Other                   | 33,591               | 33,724               | (0.3)%                    |
| Operating transfers out | <u>4,000</u>         | <u>4,000</u>         | 0 %                       |
|                         | <u>\$172,494</u>     | <u>\$174,315</u>     | (1.0)%                    |

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues – Original budgeted revenues of \$133,562 were amended to \$173,875 to reflect increases in a grant for the fire department, state aid and license and permit revenue. Actual revenues of \$177,208, included a fire equipment grant of \$32,600. Property taxes and state aid accounted for 73% of total revenues.

Expenditures – Original budgeted expenditures of \$164,800 were amended to \$164,456 to reflect increases in the fire department, building department, rubbish collection, and insurance expenditures. The budgeted expenditures were reduced for the general government, department of public works, flood control, street lighting, and miscellaneous expense. Actual expenditures were \$172,494, which included increased fire department expenditures of \$32,600 as a result of a grant.

## **VILLAGE OF ESTRAL BEACH**

### *Management's Discussion and Analysis Year Ended June 30, 2006*

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#### **Capital Asset and Debt Administration**

##### **Capital Assets**

At June 30, 2006, the Village had \$406,096 invested in a broad range of capital assets, including land, roads, building and building improvements, machinery and equipment, and vehicles. The amount represents an increase of \$1,177 from last year, which is fire equipment purchased through a grant. Depreciation for this year totaled \$25,876. Detailed information regarding capital assets is included in Note 8 to the financial statements.

##### **Debt Administration**

At June 30, 2006, the Village owed \$7,837 on a note payable. The Village originally borrowed \$28,500 to purchase a tractor on September 4, 2002. This note matures on September 4, 2007. Detailed information regarding debt is included in Note 5 to the financial statements.

#### **Development of the 2006-07 Fiscal Year Budget**

Our elected officials consider many factors when setting the Village's 2006-07 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, like decreased revenue sharing from the State since it accounts for 28 percent of our revenues. The original General Fund budget for 2006-07 estimates revenues of \$129,162 and expenditures of \$130,100, which results in using \$938 of its carryover fund balance.

#### **Contacting the Village of Estral Beach's Business Office**

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Estral Beach Clerk, P.O. Box 107, Newport, MI 48166.

# VILLAGE OF ESTRAL BEACH

## Statement of Net Assets June 30, 2006

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Cash and cash equivalents                       | \$398,753                  |
| Certificates of deposit                         | 5,000                      |
| Due from other governmental units               | 12,361                     |
| Depreciable capital assets, net                 | 206,597                    |
| Total Assets                                    | 622,711                    |
| <b>Liabilities</b>                              |                            |
| Accounts payable                                | 6,951                      |
| Long-term liabilities:                          |                            |
| Due within one year                             | 6,270                      |
| Due in more than one year                       | 1,567                      |
| Total Liabilities                               | 14,788                     |
| <b>Net Assets</b>                               |                            |
| Invested in capital assets, net of related debt | 198,760                    |
| Restricted for:                                 |                            |
| Public access                                   | 4,152                      |
| Streets and highways                            | 326,692                    |
| Flood control                                   | 26,391                     |
| Fire protection                                 | 25,197                     |
| Unrestricted                                    | 26,731                     |
| Total Net Assets                                | \$607,923                  |

See accompanying notes to the basic financial statements.

# VILLAGE OF ESTRAL BEACH

## Statement of Activities Year Ended June 30, 2006

| Functions/Programs             | Expenses         | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--------------------------------|------------------|-------------------------|--|--|
|                                |                  | Charges<br>for Services | Operating<br>Grants and<br>Contributions |  |
|                                |                  |                         | Capital<br>Grants and<br>Contributions   | Governmental<br>Activities                               |
| Governmental Activities:       |                  |                         |  |  |
| Legislative                    | \$754            | \$0                     | \$0                                      | (\$754)  |
| General government             | 31,607           | 180                     | 0  | (31,427)   |
| Public safety                  | 82,526           | 5,857                   | 588                                      | (43,481)   |
| Public works                   | 73,960           | 1,351                   | 50,154                                   | (22,455)   |
| Recreation and culture         | 62               | 0                       | 0  | (62)   |
| Other                          | 33,591           | 0                       | 0  | (33,591)   |
| Total Governmental Activities  | <u>\$222,500</u> | <u>\$7,388</u>          | <u>\$50,742</u>                          | <u>\$32,600</u>  |
|                                |                  |                         |  | (131,770)  |
| General Revenues:              |                  |                         |  |  |
| Property taxes                 |                  |                         |  | 111,409  |
| State grants                   |                  |                         |  | 42,546   |
| Interest income                |                  |                         |  | 6,342  |
| Other                          |                  |                         |  | 6,474  |
| Total General Revenues         |                  |                         |  | <u>166,771</u>   |
| Change in Net Assets           |                  |                         |  | 35,001   |
| Net Assets - Beginning of year |                  |                         |  | <u>572,922</u>   |
| Net Assets - End of year       |                  |                         |  | <u>\$607,923</u>   |

See accompanying notes to the basic financial statements.

# VILLAGE OF ESTRAL BEACH

## *Governmental Funds Balance Sheet June 30, 2006*

|                                      |                 | Special Revenue Funds |                  |
|--------------------------------------|-----------------|-----------------------|------------------|
|                                      | General         | Major Street          | Local Street     |
| <b>Assets</b>                        |                 |                       |                  |
| Cash and cash equivalents            | \$25,198        | \$217,785             | \$113,097        |
| Certificates of deposit              | 0               | 0                     | 0                |
| Due from other funds                 | 4,882           | 0                     | 0                |
| Due from other governmental units    | 12,361          | 0                     | 0                |
| Total Assets                         | <u>\$42,441</u> | <u>\$217,785</u>      | <u>\$113,097</u> |
| <b>Liabilities and Fund Balances</b> |                 |                       |                  |
| <b>Liabilities</b>                   |                 |                       |                  |
| Accounts payable                     | \$6,951         | \$0                   | \$0              |
| Due to other funds                   | 4,607           | 2,237                 | 1,953            |
| Total Liabilities                    | 11,558          | 2,237                 | 1,953            |
| <b>Fund Balances</b>                 |                 |                       |                  |
| Reserved for public access           | 4,152           | 0                     | 0                |
| Unreserved:                          |                 |                       |                  |
| Undesignated, reported in:           |                 |                       |                  |
| General Fund                         | 26,731          | 0                     | 0                |
| Special Revenue Funds                | 0               | 215,548               | 111,144          |
| Capital Projects Funds               | 0               | 0                     | 0                |
| Total Fund Balances                  | <u>30,883</u>   | <u>215,548</u>        | <u>111,144</u>   |
| Total Liabilities and Fund Balances  | <u>\$42,441</u> | <u>\$217,785</u>      | <u>\$113,097</u> |

See accompanying notes to the basic financial statements.

| Capital Projects Funds |                 |                  |
|------------------------|-----------------|------------------|
| 1952<br>Dike           | Fire<br>Millage | Totals           |
| \$22,083               | \$20,590        | \$398,753        |
| 5,000                  | 0               | 5,000            |
| 0                      | 4,607           | 9,489            |
| 0                      | 0               | 12,361           |
| <u>\$27,083</u>        | <u>\$25,197</u> | <u>\$425,603</u> |
| \$0                    | \$0             | \$6,951          |
| 692                    | 0               | 9,489            |
| 692                    | 0               | 16,440           |
| 0                      | 0               | 4,152            |
| 0                      | 0               | 26,731           |
| 0                      | 0               | 326,692          |
| 26,391                 | 25,197          | 51,588           |
| 26,391                 | 25,197          | 409,163          |
| <u>\$27,083</u>        | <u>\$25,197</u> | <u>\$425,603</u> |



**VILLAGE OF ESTRAL BEACH**

*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets*  
*June 30, 2006*

---

|  |                  |                         |
|--|------------------|-------------------------|
| <b>Total Fund Balances - Governmental Funds</b>  |                  | <b>\$409,163</b>        |
| Amounts reported for governmental activities in the statement of net assets are different because:               |                  |                         |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds.    |                  |                         |
| Cost of the capital assets   | \$406,096        |                         |
| Accumulated depreciation   | <u>(199,499)</u> |                         |
|  |                  | 206,597                 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: |                  |                         |
| Note payable   |                  | <u>(7,837)</u>          |
| <b>Total Net Assets - Governmental Activities</b>  |                  | <b><u>\$607,923</u></b> |

See accompanying notes to the basic financial statements.

# VILLAGE OF ESTRAL BEACH

## *Governmental Funds* *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Year Ended June 30, 2006*

|   |                 | Special Revenue Funds |                  |
|---|-----------------|-----------------------|------------------|
|   | General         | Major Street          | Local Street     |
| <b>Revenues</b>                                     |                 |                       |                  |
| Property taxes                                      | \$87,288        | \$0                   | \$0              |
| Licenses and permits                                | 5,857           | 0                     | 0                |
| State grants  | 42,546          | 37,291                | 12,863           |
| Local grants  | 32,600          | 0                     | 0                |
| Charges for services                                | 180             | 0                     | 0                |
| Interest income                                     | 912             | 3,693                 | 1,291            |
| Other revenue                                       | 7,825           | 0                     | 0                |
| Total Revenues                                      | 177,208         | 40,984                | 14,154           |
| <b>Expenditures</b>                                 |                 |                       |                  |
| Legislative   | 754             | 0                     | 0                |
| General government                                  | 31,578          | 0                     | 0                |
| Public safety                                       | 51,056          | 0                     | 0                |
| Public works  | 51,453          | 9,050                 | 7,475            |
| Recreation and culture                              | 62              | 0                     | 0                |
| Other   | 33,591          | 0                     | 0                |
| Total Expenditures                                  | 168,494         | 9,050                 | 7,475            |
| Excess (Deficiency) of Revenue<br>Over Expenditures | 8,714           | 31,934                | 6,679            |
| <b>Other Financing Sources (Uses)</b>               |                 |                       |                  |
| Operating transfers in                              | 0               | 0                     | 9,000            |
| Operating transfers out                             | (4,000)         | (9,000)               | 0                |
| Total Other Financing Sources (Uses)                | (4,000)         | (9,000)               | 9,000            |
| <b>Net Change in Fund Balances</b>                  | 4,714           | 22,934                | 15,679           |
| Fund Balances - Beginning of year                   | 26,169          | 192,614               | 95,465           |
| Fund Balances - End of year                         | <u>\$30,883</u> | <u>\$215,548</u>      | <u>\$111,144</u> |

See accompanying notes to the basic financial statements.

| Capital Projects Funds |          | Total        |
|------------------------|----------|--------------|
| 1952                   | Fire     | Governmental |
| Dike                   | Millage  | Funds        |
| \$0                    | \$24,121 | \$111,409    |
| 0                      | 0        | 5,857        |
| 0                      | 0        | 92,700       |
| 0                      | 588      | 33,188       |
| 0                      | 0        | 180          |
| 138                    | 308      | 6,342        |
| 0                      | 0        | 7,825        |
| 138                    | 25,017   | 257,501      |
| 0                      | 0        | 754          |
| 0                      | 0        | 31,578       |
| 1,615                  | 17,102   | 69,773       |
| 0                      | 0        | 67,978       |
| 0                      | 0        | 62           |
| 0                      | 0        | 33,591       |
| 1,615                  | 17,102   | 203,736      |
| (1,477)                | 7,915    | 53,765       |
| 4,000                  | 0        | 13,000       |
| 0                      | 0        | (13,000)     |
| 4,000                  | 0        | 0            |
| 2,523                  | 7,915    | 53,765       |
| 23,868                 | 17,282   | 355,398      |
| \$26,391               | \$25,197 | \$409,163    |

## VILLAGE OF ESTRAL BEACH

*Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2006*

|   |              |                        |
|---|--------------|------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   |              | <b>\$53,765</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:  |              |                        |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. |              |                        |
| Depreciation expense  | (\$25,876)   |                        |
| Capital outlay  | <u>1,177</u> |                        |
|   |              | (24,699)               |
| Repayments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).                             |              | <u>5,935</u>           |
| <b>Change in Net Assets of Governmental Activities</b>  |              | <u><u>\$35,001</u></u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF ESTRAL BEACH**

*Agency Fund*  
*Statement of Fiduciary Net Assets*  
*June 30, 2006*

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|                                   |                                       |
|-----------------------------------|---------------------------------------|
|                                   | <u>Tax Collection<br/>Agency Fund</u> |
| <b>Assets</b>                     |                                       |
| Cash                              | <u>\$1</u>                            |
| <b>Liabilities and net assets</b> |                                       |
| Due to other governmental units   | <u>\$1</u>                            |

See accompanying notes to the basic financial statements.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2006*

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Note 1      Description of the Village and Reporting Entity

The Village operates under a locally elected five member Council form of government.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes general operations, library, fire, debt, street maintenance and construction, dike repairs, and fire protection.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2      Summary of Significant Accounting Policies

The financial statements of the Village of Estral Beach have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Village's government-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2006*

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#### Note 2      Summary of Significant Accounting Policies (Continued) Basis of Presentation (Continued)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The 1952 Dike Fund accounts for revenues accumulated to be used for maintaining the dike system.

The Fire Millage Fund accounts for proceeds from a tax millage for the purpose of operating and upgrading fire and rescue service and equipment.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village does not have any nonmajor governmental funds.

##### C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

## VILLAGE OF ESTRAL BEACH

*Notes to Financial Statements*  
*Year Ended June 30, 2006*

Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of one thousand dollars. The Village does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>                   | <u>Estimated Lives</u> |
|--------------------------------------|------------------------|
| Roads                                | 20 years               |
| Buildings and buildings improvements | 50 years               |
| Machinery and equipment              | 10 years               |
| Vehicles                             | 8 years                |

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Property Taxes - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 14 of the following year.



## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2006*

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#### Note 2      Summary of Significant Accounting Policies (Concluded) Basis of Presentation (Concluded)

##### C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

##### E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

##### F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

## VILLAGE OF ESTRAL BEACH

### Notes to Financial Statements Year Ended June 30, 2006

#### Note 3      Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2006, expenditures exceeded final budgeted amounts in the following funds:

|                   | <u>Final Budget</u> | <u>Actual Expenditures</u> | <u>Variance</u> |
|-------------------|---------------------|----------------------------|-----------------|
| General Fund      | \$160,456           | \$168,494                  | \$(8,038)       |
| Major Street Fund | 7,249               | 9,050                      | (1,801)         |
| Local Street Fund | 5,215               | 7,475                      | (2,260)         |
| 1952 Dike Fund    | 923                 | 1,615                      | (692)           |

#### Note 4      Property Tax

The Village bills and collects its own property taxes. Tax collections are accounted for in the Tax Collection Agency Fund. The Village tax levy was spread as follows:

|                   | <u>Mills</u>  | <u>Levy</u>      |
|-------------------|---------------|------------------|
| General Fund      | 5.0791        | \$ 65,060        |
| Rubbish           | 1.7354        | 22,228           |
| Fire Millage Fund | 1.8832        | 24,121           |
|                   | <u>8.6977</u> | <u>\$111,409</u> |

The Village's 2005 property taxes, levied on July 1, 2005 on assessed valuation as of December 31, 2004, were due and payable by September 14, 2005 per an extension approved by the Village Council. Taxable values, which amounted to \$12,809,765 are based on a percentage of the fair market value of the assessed property. Property tax revenue is recorded when the taxes are levied.

#### Note 5      Long-Term Debt

The Village has a note payable to Monroe Bank & Trust for the purchase of a New Holland Tractor. The note, dated September 4, 2002, is secured by the equipment and is payable at \$545 per month for sixty months. The note has an interest rate of 5.5% and is due September 4, 2007. The following is a summary of changes in long-term debt:

|  | <u>Balance<br/>June 30, 2005</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>June 30, 2006</u> | <u>Due in<br/>One Year</u> |
|--|----------------------------------|------------------|-------------------|----------------------------------|----------------------------|
| Note payable to Monroe Bank & Trust for New Holland Tractor. | <u>\$13,772</u>                  | <u>\$ -</u>      | <u>\$5,935</u>    | <u>\$7,837</u>                   | <u>\$6,270</u>             |

# VILLAGE OF ESTRAL BEACH

## *Notes to Financial Statements Year Ended June 30, 2006*

Note 5      Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2006, is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|-----------------------------|------------------|-----------------|----------------|
| 2007                        | \$6,270          | \$275           | \$6,545        |
| 2008                        | <u>1,567</u>     | <u>69</u>       | <u>1,636</u>   |
| Total                       | <u>\$7,837</u>   | <u>\$344</u>    | <u>\$8,181</u> |

Note 6      Interfund Payables and Receivables

Such balances at June 30, 2006, were:

|                    | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|--------------------|---------------------------------|------------------------------|
| General Fund:      |                                 |                              |
| Major Street Fund  | \$ 2,237                        | \$ -                         |
| Local Street Fund  | 1,953                           | -                            |
| 1952 Dike Fund     | 692                             | -                            |
| Fire Millage Fund  | -                               | 4,607                        |
| Major Street Fund: |                                 |                              |
| General Fund       | -                               | 2,237                        |
| Local Street Fund: |                                 |                              |
| General Fund       | -                               | 1,953                        |
| 1952 Dike Fund:    |                                 |                              |
| General Fund       | -                               | 692                          |
| Fire Millage Fund: |                                 |                              |
| General Fund       | <u>4,607</u>                    | <u>-</u>                     |
|                    | <u>\$9,489</u>                  | <u>\$9,489</u>               |

Note 7      Interfund Transfers

Interfund transfers at June 30, 2006, consisted of the following:

|                      | <u>Transfers Out</u>    |                              |
|----------------------|-------------------------|------------------------------|
|                      | <u>General<br/>Fund</u> | <u>Major Street<br/>Fund</u> |
| <u>Transfers In:</u> |                         | <u>Total</u>                 |
| 1952 Dike Fund       | \$4,000                 | \$ -                         |
| Local Street Fund    | <u>-</u>                | <u>9,000</u>                 |
|                      | <u>\$4,000</u>          | <u>\$13,000</u>              |

# VILLAGE OF ESTRAL BEACH

## *Notes to Financial Statements* *Year Ended June 30, 2006*

Note 7      Interfund Transfers (Concluded)

The transfer from the General Fund to the 1952 Dike Fund represents an effort by the Village to accumulate funds for eventual dike repairs and maintenance. The transfer from the Major Street Fund to the Local Street Fund represents approximately 25% of the Major Street Fund's Act 51 monies that are allowed to be transferred to the Local Street Fund.

Note 8      Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

|                                    | Balance<br>July 1, 2005 | Additions             | Deletions      | Balance<br>June 30, 2006 |
|------------------------------------|-------------------------|-----------------------|----------------|--------------------------|
| Assets not being depreciated:      |                         |                       |                |                          |
| Land                               | \$12,000                | \$0                   | \$0            | \$12,000                 |
| Capital assets being depreciated:  |                         |                       |                |                          |
| Roads                              | 114,962                 | 0                     | 0              | 114,962                  |
| Building and building improvements | 61,446                  | 0                     | 0              | 61,446                   |
| Machinery and equipment            | 123,011                 | 1,177                 | 0              | 124,188                  |
| Vehicles                           | 93,500                  | 0                     | 0              | 93,500                   |
| <br>Total capital assets           | <br>404,919             | <br>1,177             | <br>0          | <br>406,096              |
| <br>Less accumulated depreciation: |                         |                       |                |                          |
| Roads                              | (15,807)                | (5,748)               | 0              | (21,555)                 |
| Building and building improvements | (56,080)                | (229)                 | 0              | (56,309)                 |
| Machinery and equipment            | (51,622)                | (9,461)               | 0              | (61,083)                 |
| Vehicles                           | (50,114)                | (10,438)              | 0              | (60,552)                 |
| <br>Total accumulated depreciation | <br>(173,623)           | <br>(25,876)          | <br>0          | <br>(199,499)            |
| <br>Net capital assets             | <br><u>\$231,296</u>    | <br><u>(\$24,699)</u> | <br><u>\$0</u> | <br><u>\$206,597</u>     |

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 29               |
| Public safety                     | 13,930              |
| Public works                      | <u>11,917</u>       |
| <br>Total governmental activities | <br><u>\$25,876</u> |

## VILLAGE OF ESTRAL BEACH

*Notes to Financial Statements  
Year Ended June 30, 2006*

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### Note 9

#### Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank and Trust.

*Interest rate risk.* The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

*Concentration of credit risk.* The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$403,752 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of \$100,000, with uninsured deposits of \$303,752. The Village's deposits are at institutions with an established record of fiscal health and service. The Village Council approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

*Foreign currency risk.* The Village is not authorized to invest in investments which have this type of risk.

### Note 10

#### Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

### Note 11

#### Contingent Liability

The Village of Estral Beach is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended June 30, 2006, the Village incurred \$206 of expense and no provision has been made for any additional potential liability.

## VILLAGE OF ESTRAL BEACH

*Notes to Financial Statements*  
*Year Ended June 30, 2006*

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Note 12    Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2006, of \$5,857 did not exceed the related costs and administrative overhead.

# VILLAGE OF ESTRAL BEACH

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2006

|                               | Budgeted Amounts |               |               | Positive<br>(Negative)<br>Budget |
|-------------------------------|------------------|---------------|---------------|----------------------------------|
|                               | Original         | Final         | Actual        |                                  |
| <b>Revenues</b>               |                  |               |               |                                  |
| Taxes:                        |                  |               |               |                                  |
| Operating                     | \$65,062         | \$65,062      | \$65,060      | (\$2)                            |
| Rubbish                       | 22,230           | 22,230        | 22,228        | (2)                              |
|                               | <u>87,292</u>    | <u>87,292</u> | <u>87,288</u> | <u>(4)</u>                       |
| Licenses and permits          | 1,000            | 5,857         | 5,857         | 0                                |
| State grants:                 |                  |               |               |                                  |
| State revenue sharing         | 36,000           | 42,569        | 42,546        | (23)                             |
| Local grants:                 |                  |               |               |                                  |
| County fire grant             | 0                | 32,600        | 32,600        | 0                                |
| Charges for services:         |                  |               |               |                                  |
| Hall rental                   | 1,000            | 450           | 180           | (270)                            |
| Interest income               | 70               | 61            | 912           | 851                              |
| Other revenue:                |                  |               |               |                                  |
| Contributions - Public Access | 800              | 3,336         | 3,395         | 59                               |
| Franchise fee - cable         | 1,400            | 1,710         | 1,710         | 0                                |
| Equipment Rental              | 0                | 0             | 1,351         | 1,351                            |
| Miscellaneous                 | 6,000            | 0             | 1,369         | 1,369                            |
|                               | <u>8,200</u>     | <u>5,046</u>  | <u>7,825</u>  | <u>2,779</u>                     |
| Total Revenues                | 133,562          | 173,875       | 177,208       | 3,333                            |
| <b>Expenditures</b>           |                  |               |               |                                  |
| Legislative:                  |                  |               |               |                                  |
| Village council               | 800              | 716           | 754           | (38)                             |
| General government:           |                  |               |               |                                  |
| President                     |                  |               | 75            |                                  |
| Elections                     |                  |               | 1,573         |                                  |
| Audit                         |                  |               | 6,985         |                                  |
| Attorney                      |                  |               | 2,500         |                                  |
| Clerk                         |                  |               | 5,145         |                                  |
| Treasurer                     |                  |               | 2,576         |                                  |
| Buildings and grounds         |                  |               | 12,724        |                                  |
|                               | <u>33,000</u>    | <u>24,248</u> | <u>31,578</u> | <u>(7,330)</u>                   |

# VILLAGE OF ESTRAL BEACH

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2006

|  | Budgeted Amounts      |                        |                        | Positive<br>(Negative)<br>Budget |
|--|-----------------------|------------------------|------------------------|----------------------------------|
|  | Original              | Final                  | Actual                 |                                  |
| <b>Expenditures (Concluded)</b>                      |                       |                        |                        |                                  |
| Public safety:                                       |                       |                        |                        |                                  |
| Fire department                                      | \$10,000              | \$37,600               | \$40,943               | (\$3,343)                        |
| Building department                                  | 6,000                 | 9,479                  | 10,113                 | (634)                            |
|  | <u>16,000</u>         | <u>47,079</u>          | <u>51,056</u>          | <u>(3,977)</u>                   |
| Public works:  |                       |                        |                        |                                  |
| Department of public works                           | 23,000                | 11,054                 | 11,954                 | (900)                            |
| Flood control  | 18,000                | 6,476                  | 6,668                  | (192)                            |
| Street lighting                                      | 9,100                 | 8,349                  | 9,123                  | (774)                            |
| Rubbish collection                                   | 22,800                | 23,708                 | 23,708                 | 0                                |
|  | <u>72,900</u>         | <u>49,587</u>          | <u>51,453</u>          | <u>(1,866)</u>                   |
| Recreation and culture                               | 0                     | 0                      | 62                     | (62)                             |
| Other:   |                       |                        |                        |                                  |
| Public Access  | 100                   | 0                      | 112                    | (112)                            |
| Insurance and bonds                                  | 30,000                | 31,951                 | 31,951                 | 0                                |
| Miscellaneous  | 8,000                 | 6,875                  | 1,528                  | 5,347                            |
|  | <u>38,100</u>         | <u>38,826</u>          | <u>33,591</u>          | <u>5,235</u>                     |
| Total Expenditures                                   | <u>160,800</u>        | <u>160,456</u>         | <u>168,494</u>         | <u>(8,038)</u>                   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (27,238)              | 13,419                 | 8,714                  | (4,705)                          |
| <b>Other Financing Sources (Uses)</b>                |                       |                        |                        |                                  |
| Operating transfers out                              | <u>(4,000)</u>        | <u>(4,000)</u>         | <u>(4,000)</u>         | <u>0</u>                         |
| Total Other Financing<br>Sources (Uses)              | <u>(4,000)</u>        | <u>(4,000)</u>         | <u>(4,000)</u>         | <u>0</u>                         |
| <b>Net Change in Fund Balance</b>                    | (31,238)              | 9,419                  | 4,714                  | (4,705)                          |
| Fund Balance - Beginning of year                     | <u>33,159</u>         | <u>26,986</u>          | <u>26,169</u>          | <u>(817)</u>                     |
| Fund Balance - End of year                           | <u><u>\$1,921</u></u> | <u><u>\$36,405</u></u> | <u><u>\$30,883</u></u> | <u><u>(\$5,522)</u></u>          |



# VILLAGE OF ESTRAL BEACH

## Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2006

|  | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            | Actual           |   |
| <b>Revenues</b>                                      |                  |                  |                  |   |
| State grants   | \$38,000         | \$39,317         | \$37,291         | (\$2,026)   |
| Interest income                                      | 140              | 65               | 3,693            | 3,628   |
| Total Revenues                                       | 38,140           | 39,382           | 40,984           | 1,602   |
| <b>Expenditures</b>                                  |                  |                  |                  |   |
| Public works:  |                  |                  |                  |   |
| Construction   | 140,000          | 0                | 62               | (62)  |
| Routine maintenance                                  | 2,000            | 4,600            | 7,345            | (2,745)   |
| Traffic services                                     | 600              | 1,526            | 510              | 1,016   |
| Winter maintenance                                   | 3,000            | 611              | 611              | 0   |
| Administration and engineering                       | 550              | 512              | 522              | (10)  |
| Total Expenditures                                   | 146,150          | 7,249            | 9,050            | (1,801)   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (108,010)        | 32,133           | 31,934           | (199)   |
| <b>Other Financing Sources (Uses)</b>                |                  |                  |                  |   |
| Operating transfers out                              | (9,000)          | (9,000)          | (9,000)          | 0   |
| <b>Net Change in Fund Balance</b>                    | (117,010)        | 23,133           | 22,934           | (199)   |
| Fund Balance - Beginning of year                     | 191,358          | 192,614          | 192,614          | 0   |
| Fund Balance - End of year                           | <u>\$74,348</u>  | <u>\$215,747</u> | <u>\$215,548</u> | <u>(\$199)</u>  |

# VILLAGE OF ESTRAL BEACH

## Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2006

|  | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            | Actual           |   |
| <b>Revenues</b>                                      |                  |                  |                  |   |
| State grants   | \$13,200         | \$12,864         | \$12,863         | (\$1)   |
| Interest income                                      | 100              | 64               | 1,291            | 1,227   |
| <b>Total Revenues</b>                                | <b>13,300</b>    | <b>12,928</b>    | <b>14,154</b>    | <b>1,226</b>  |
| <b>Expenditures</b>                                  |                  |                  |                  |   |
| Public works:  |                  |                  |                  |   |
| Construction   | 25,000           | 0                | 0                | 0   |
| Routine maintenance                                  | 1,200            | 3,961            | 6,216            | (2,255)   |
| Traffic services                                     | 0                | 343              | 343              | 0   |
| Winter maintenance                                   | 1,500            | 480              | 480              | 0   |
| Administration and engineering                       | 450              | 431              | 436              | (5)   |
| <b>Total Expenditures</b>                            | <b>28,150</b>    | <b>5,215</b>     | <b>7,475</b>     | <b>(2,260)</b>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (14,850)         | 7,713            | 6,679            | (1,034)   |
| <b>Other Financing Sources (Uses)</b>                |                  |                  |                  |   |
| Operating transfers in                               | 9,000            | 9,000            | 9,000            | 0   |
| <b>Net Change in Fund Balance</b>                    | <b>(5,850)</b>   | <b>16,713</b>    | <b>15,679</b>    | <b>(1,034)</b>  |
| Fund Balance - Beginning of year                     | 94,936           | 95,465           | 95,465           | 0   |
| Fund Balance - End of year                           | <u>\$89,086</u>  | <u>\$112,178</u> | <u>\$111,144</u> | <u>(\$1,034)</u>  |

# VILLAGE OF ESTRAL BEACH

## 1952 Dike Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2006

|  | Budgeted Amounts |          |          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------|----------|---|
|  | Original         | Final    | Actual   |   |
| <b>Revenues</b>                                      |                  |          |          |   |
| Interest income                                      | \$70             | \$138    | \$138    | \$0   |
| Total Revenues                                       | 70               | 138      | 138      | 0   |
| <b>Expenditures</b>                                  |                  |          |          |   |
| Public safety:                                       |                  |          |          |   |
| Maintenance expense                                  | 1,000            | 923      | 1,615    | (692)   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (930)            | (785)    | (1,477)  | (692)   |
| <b>Other Financing Sources (Uses)</b>                |                  |          |          |   |
| Operating transfers in                               | 4,000            | 4,000    | 4,000    | 0   |
| <b>Net Change in Fund Balance</b>                    | 3,070            | 3,215    | 2,523    | (692)   |
| Fund Balance - Beginning of year                     | 24,056           | 23,868   | 23,868   | 0   |
| Fund Balance - End of year                           | \$27,126         | \$27,083 | \$26,391 | (\$692)   |

**VILLAGE OF ESTRAL BEACH**

*Fire Millage Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended June 30, 2006*

|                                   | Budgeted Amounts |                 |                 | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------|------------------|-----------------|-----------------|---|
|                                   | Original         | Final           | Actual          |   |
| <b>Revenues</b>                   |                  |                 |                 |   |
| Property taxes                    | \$24,123         | \$24,123        | \$24,121        | (\$2)   |
| Local grant                       | 0                | 588             | 588             | 0   |
| Interest income                   | 60               | 75              | 308             | 233   |
| Total Revenues                    | 24,183           | 24,786          | 25,017          | 231   |
| <b>Expenditures</b>               |                  |                 |                 |   |
| Public safety:                    |                  |                 |                 |   |
| Fire protection                   | 16,500           | 28,100          | 17,102          | 10,998  |
| Total Expenditures                | 16,500           | 28,100          | 17,102          | 10,998  |
| <b>Net Change in Fund Balance</b> | 7,683            | (3,314)         | 7,915           | 11,229  |
| Fund Balance - Beginning of year  | 16,558           | 17,282          | 17,282          | 0   |
| Fund Balance - End of year        | <u>\$24,241</u>  | <u>\$13,968</u> | <u>\$25,197</u> | <u>\$11,229</u>   |

**VILLAGE OF ESTRAL BEACH**

*Tax Collection Agency Fund*  
*Statement of Changes in Assets and Liabilities*  
*June 30, 2006*

|                                 | Balance<br>July 1, 2005 | Additions        | Deductions       | Balance<br>June 30, 2006 |
|---------------------------------|-------------------------|------------------|------------------|--------------------------|
| <b>Assets</b>                   |                         |                  |                  |                          |
| Cash                            | <u>\$8,907</u>          | <u>\$105,056</u> | <u>\$113,962</u> | <u>\$1</u>               |
| <b>Liabilities</b>              |                         |                  |                  |                          |
| Due to other governmental units | <u>\$8,907</u>          | <u>\$105,056</u> | <u>\$113,962</u> | <u>\$1</u>               |



COOLEY HEHL  
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Village Council  
Village of Estral Beach  
Monroe County, Michigan

## Report of Comments and Recommendations

Our audit of the financial statements of the Village of Estral Beach for the fiscal year ended June 30, 2006, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Village. During the course of our audit we encountered matters which we set forth herein for your review. Our comments have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore, do not encompass all matters that might result from special studies directed toward such matters.

### Non-motorized Transportation Expenditures

As of June 30, 2006, the Village was required to have spent \$5,015 of its Act 51 Highway revenue on non-motorized improvements. The Village has only spent \$2,995. The Village has submitted a preliminary plan to the Michigan Department of Transportation to meet this expenditure limit but as of June 30, 2006, has not expended any monies on the plan. The Village needs to proceed with this plan or develop another plan to meet the spending limit or the State of Michigan may begin to withhold future Act 51 monies.

### Due to Other Funds

The following checks should be written to resolve the outstanding interfund receivables and payables:

|   |            |
|---|------------|
| Local Street Fund check to General Fund | \$1,952.84 |
| Major Street Fund check to General Fund | 2,236.85   |
| 1952 Dike Fund Check to General Fund    | 691.84     |
| General Fund to Fire Millage Fund       | 4,607.48   |

### Budgets

We reviewed the Village's budgets for compliance with the state budget law. Even though the Village amended their original budget, there were still several areas where expenditures exceeded appropriations. Greater care needs to be taken when amending budgets to assure that expenditures do not exceed the budgeted amount.

Village of Estral Beach

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Property Taxes

The Village collected two tax bills that were incorrectly returned to the County as delinquent. As a result, the Village was paid a second time on these two bills through the County's delinquent settlement. The Village needs to contact these two taxpayers and arrange for a refund to be made.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Very truly yours,

A handwritten signature in cursive script, reading "Cooky Hehl Wohlgawth & Carlton".

November 18, 2006